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## Canada

### Agricultural Situation

### This Week in Canadian Agriculture, Issue 23 2005

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**Report Highlights:**

\* Rain, Rain Go Away \* Manitoba Processors Turn to the U.S. \* Challenge to Quebec's  
Margarine Law Upheld \* Ontario Names A New Agriculture Minister \* CWB Asks Ottawa to  
Help Pay Legal Bill \* Ontario Corn Producers Disagree With Stats Can's Numbers \* Canadian  
BSE Testing Surpasses Target \* Cattle Money to be Reallocated

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Includes PSD Changes: No  
Includes Trade Matrix: No  
Unscheduled Report  
Ottawa [CA1]  
[CA]

This Week in Canadian Agriculture is a weekly review of Canadian agricultural industry developments of interest to the U.S. agricultural community. The issues summarized in this report cover a wide range of subject matter obtained from Canadian press reports, government press releases, and host country agricultural officials and representatives.

*Disclaimer:* Any press report summaries in this report are included to bring U.S. readership closer to the pulse of Canadian developments in agriculture. In no way do the views and opinions of these sources reflect USDA's, the U.S. Embassy's, or any other U.S. Government agency's point of view or official policy.

**RAIN, RAIN GO AWAY:** It has been a season of rain in Western Canada. All three Prairie Provinces have faced swollen rivers, flooding and road washouts. All this excess rain, especially in Manitoba has severely impacted farmers' ability to get out and seed. However, the excess rain in Alberta has mostly been a blessing in disguise. It has helped replenish fields that have suffered through lack of moisture over the last couple of years, although some areas that have had heavy rainfall have experienced flooding, fertilizer leaching, development of leaf disease and crops turning yellow in low-lying areas. Crop development in Alberta has been slowed by the cool, damp weather, but overall crops in the province are mostly in good to excellent condition. Warmer temperatures are needed to advance crop development. The wet conditions have hindered spraying for post-emergent weed control. According to the provincial department of Agriculture in Saskatchewan, a majority of the various crops across the province are in good to excellent condition, with a majority at or ahead of normal development. There has been some flooding in Saskatchewan, but the overall picture for crop production in the province is positive. Unfortunately the story is not as optimistic in Manitoba. After a very soggy spring, with lots of rain and flooding and producers scrambling to seed prior to crop insurance dates (many of which were missed or seeded after the crop insurance date), some warm and dry weather blessed the province. Unfortunately it did not last long enough to enable the fields to dry out to any extent. Heavy rains over the last couple of days have pummeled the province, preventing farmers from seeding, flooding fields and washing away some of the seed that producers were able to get into the ground. In its internal crop forecast, the Canadian Wheat Board (CWB) predicted western Canadian wheat and durum production of 22 million metric tons (MMT), an eight percent drop from 2004. The CWB is also forecasting a decline in barley production to 11.7 MMT, from 12.3 MMT in 2004. It has been estimated that up to 2 million acres of farmland in Manitoba alone could be lost due to the excessive amount of rain. The 2 million acres lost represents 25 percent of Manitoba's farmland. The only bright spot in this whole scenario is that for those farmers who were able to seed and weren't flooded out, any hot weather that comes along could result in increased yields.

**MANITOBA PROCESSORS TURN TO THE U.S.:** With the rain hindering seeding in Manitoba, resulting in lower than expected soybean area in the province, soybean processors have been forced to turn to alternative sources to meet their needs, including the United States. Jordan Mills, a soybean processor in southern Manitoba, has indicated that currently 75 percent of the soybeans being crushed at the plant are from the U.S., mostly from the Grand Forks and Fargo regions. According to the processors, it is cheaper to import soybeans from the U.S. rather than bring them in from Ontario. As the rain continues and the acreage of soybeans continues in Manitoba, soybean processors will continue to rely on the available supply from the United States.

**CHALLENGE TO QUEBEC'S MARGARINE LAW UPHELD:** According to the Vegetable Oil Industry of Canada, the Agreement on Internal Trade Panel, a national panel set up by the provinces and federal government to deal with barriers to trade within Canada, has found in favor of an Alberta challenge (supported by Manitoba and Saskatchewan) to Quebec's ban on colored margarine. In the late 1980's, the Quebec government implemented a rule which prevented yellow margarine from being sold along side butter in the province. Instead margarine is required to be white in order for customers to be able to distinguish between the two. Canola-based yellow-colored margarine from Alberta was prevented from being sold in Quebec. According to the vegetable oil industry, the ban resulted in margarine's market share of the margarine and butter market in Quebec to be 10 percent below the national average, which cost vegetable oil industry \$20 million a year. The ruling gives Quebec 60 days to modify its rules. This ruling comes on heels of the Supreme Court of Canada's ruling which upheld Quebec's margarine regulations. The dairy industry in Quebec claims that yellow margarine would threaten 600 farms and 3000 jobs. According to the dairy industry, the trade body ruling doesn't supplant Canadian law. The Panel is expected to issue a report on its findings by August 22.

**ONTARIO NAMES A NEW AGRICULTURE MINISTER:** Steve Peters is out as Ontario's Minister of Agriculture. In a recent cabinet shuffle, Premier Dalton McGuinty has named Leona Dombrowsky as his replacement. Ms. Dombrowsky represents the riding of Hastings-Frontenac-Lennox and Addington, the largest riding in Southern Ontario, and has recently served as the provincial Minister of the Environment. Ms. Dombrowsky was involved in the manure management and water protection legislation and regulations. Ms. Dombrowsky replaces Mr. Peters as agriculture minister at a time when farm commodity prices have fallen to the lowest level in 25 years and when unhappiness in the farm community is high.

**CWB ASKS OTTAWA TO HELP PAY LEGAL BILL:** The Canadian Wheat Board (CWB) has asked the Canadian government to help cover the legal costs incurred during the trade dispute with the United States. According to the CWB, it has spent roughly \$15 million fighting more than a dozen trade actions launched by the U.S. since 1990. In the latest go-round, the CWB indicates that it has spent roughly \$10 million. The Board has not asked for a specific amount of money, but would like to receive some to help defray the legal costs. The CWB is citing an announcement by International Trade Minister Jim Peterson to provide \$20 million to the softwood lumber industry to help offset their legal costs in the softwood lumber battle with the United States, as justification for their request to the government. International Trade has indicated that they have received the request and are preparing a response.

**ONTARIO CORN PRODUCERS DISAGREE WITH STATS CAN'S NUMBERS:** The Ontario Corn Producers Association (OCPA) has indicated that it disagrees with Statistics Canada's June planting numbers. StatsCan pegged the Ontario corn area at 1.6 million acres, based on its March survey. The OCPA has estimated corn acreage to be lower due to strong competition from larger plantings of soybeans. The OCPA estimates corn acreage at between 1.45 million and 1.5 million acres. StatsCan has estimated soybean acreage to be 2.3 million acres, but the resulting switch from corn to soybean plantings should push soybean acreage at least 100,000 acres higher, according to Dave Gordon of London Agriculture Commodities. A decrease in corn acreage will most likely result in strong imports of U.S. corn in order to meet demand from Ontario's processors, especially the new ethanol plants.

**CANADIAN BSE TESTING SURPASSES TARGET:** According to the Canadian Food Inspection Agency (CFIA), Canada has surpassed its testing target established for 2005 BSE surveillance. The 2005 target was 30,000 animals and as of June 17, there had been 32,363 samples collected and tested through the provincial and federal laboratory network in Canada. The samples collected target the highest risk cattle within the national herd. The level and design of BSE testing in Canada is in full accordance with the guidelines recommended by the World Organization for Animal Health (OIE).

**CATTLE MONEY TO BE REALLOCATED:** The Government of Canada recently announced that it will be reallocating funds from existing measures to support the transformation of the Canadian cattle industry, as well as other ruminants. The measures include funding of \$17.1 million to help further expand Canada's slaughter capacity, with a goal of processing 100% of the country's livestock production. Modifications to the Ruminant Slaughter Loan Loss Reserve Program are being made to address the needs of the Canadian processing sector. In addition, financial assistance of \$10.2 million is being offered to offset costs to producer organizations that maintain infrastructure related to genetic improvement of breeding animals. The Fed Cattle Set-Aside Program will be extended until the end of the 2005-06 fiscal year. Finally, those provinces that had expressed interest in participating in the former Managing Older Animals Program prior to the application deadline will now be participating in the successor program Herd Management for Older Animals Program.

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